

COMPASS POINTE
INDEPENDENT AUDITORS' REPORTS,
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED
JUNE 30, 2010

COMPASS POINTE
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COMPASS POINTE
OFFICIALS
JUNE 30, 2010

EXECUTIVE DIRECTOR JoAnn DeYoung

BOARD OF DIRECTORS (terms expire January 1, 2011)

Officers:

President	Tom Farnsworth
Vice-President	Dennis Wright
Secretary-Treasurer	Del Brockshus

Delegates:

Buena Vista County	Dale Arends Don Atena
Clay County	Del Brockshus Burlin Matthews
Dickinson County	Mardi Allen George Morris
Emmet County	Bev Juhl Alan Madden
Kossuth County	Jack Plathe
Lyon County	Merle Koedam Mike Modder
O'Brien County	Tom Farnsworth Jake Moermond
Osceola County	Phil Bootsma Bill Imhoff
Palo Alto County	Ron Graettinger
Sioux County	Dennis Wright Mark Sybesma

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Compass Pointe

We have audited the accompanying statement of financial position of Compass Pointe (a non-profit organization) as of June 30, 2010, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Compass Pointe's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Compass Pointe's June 30, 2009 financial statements and, in our report dated September 14, 2009, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Compass Pointe at June 30, 2010 and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2010 on our consideration of Compass Pointe's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information included on page 13 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Winter, Stone & Co. LLP

October 15, 2010

COMPASS POINTE
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2010
WITH COMPARATIVE TOTALS FOR JUNE 30, 2009

ASSETS

	<u>2010</u>	<u>2009</u>
CURRENT ASSETS:		
Cash (Note 8)	\$207,715	\$217,432
Accounts receivable - net (Note 2)	172,892	112,627
Prepaid expenses	43,070	40,501
TOTAL CURRENT ASSETS	<u>423,677</u>	<u>370,560</u>
PROPERTY AND EQUIPMENT:		
Land	8,800	
Building	79,144	
Leasehold improvements	25,125	79,641
Office equipment and furniture	173,572	198,140
Video system and equipment	82,876	128,449
TOTAL PROPERTY AND EQUIPMENT	369,517	406,230
Less accumulated depreciation	<u>(229,522)</u>	<u>(372,653)</u>
PROPERTY AND EQUIPMENT - NET	<u>139,995</u>	<u>33,577</u>
OTHER ASSETS:		
Non-marketable security (Note 3)		75,386
Down payment on property acquisition		<u>25,457</u>
TOTAL OTHER ASSETS		<u>100,843</u>
 TOTAL ASSETS	 <u>\$563,672</u>	 <u>\$504,980</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable	\$ 14,884	\$ 8,612
Other liabilities	57,590	57,590
Accrued vacation pay	39,146	40,448
Accrued unemployment claims	16,193	16,193
TOTAL CURRENT LIABILITIES	<u>127,813</u>	<u>122,843</u>
NET ASSETS:		
Unrestricted - as restated (Note 11)	<u>435,859</u>	<u>382,137</u>
TOTAL NET ASSETS	<u>435,859</u>	<u>382,137</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$563,672</u>	 <u>\$504,980</u>

COMPASS POINTE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010
WITH COMPARATIVE TOTALS FOR JUNE 30, 2009

	<u>2010</u>	<u>2009</u>
UNRESTRICTED NET ASSETS		
PUBLIC SUPPORT AND REVENUES:		
Comprehensive treatment contract	\$ 828,944	\$ 772,707
Comprehensive prevention contract	180,100	155,753
Other contracts and grants	308,556	325,657
Counties	120,528	120,736
Cities	12,595	11,607
Donations		11,400
Client fees	510,281	532,972
Other fees	47,645	47,392
Interest	6,016	11,948
Other	<u>35,261</u>	<u>25,246</u>
TOTAL PUBLIC SUPPORT AND REVENUES	<u>2,049,926</u>	<u>2,015,418</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u> </u>	<u>7,184</u>
EXPENSES:		
Program services	1,645,113	1,707,516
Support services	<u>351,091</u>	<u>364,369</u>
TOTAL EXPENSES	<u>1,996,204</u>	<u>2,071,885</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	<u>53,722</u>	<u>(49,283)</u>
TEMPORARILY RESTRICTED NET ASSETS:		
Net assets released from restrictions	<u> </u>	<u>(7,184)</u>
DECREASE IN TEMPORARILY RESTRICTED NET ASSETS	<u> </u>	<u>(7,184)</u>
NET ASSETS BEGINNING OF YEAR - AS RESTATED	<u>382,137</u>	<u>438,604</u>
NET ASSETS END OF YEAR	<u>\$ 435,859</u>	<u>\$ 382,137</u>

COMPASS POINTE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2010
WITH COMPARATIVE TOTALS FOR JUNE 30, 2009

	2010			2009
	<u>Program Services</u>	<u>Support Services</u>	<u>Total</u>	<u>Total</u>
Salaries and wages	\$ 932,551	\$212,825	\$1,145,376	\$1,200,231
Fringe benefits and payroll taxes	<u>311,746</u>	<u>76,251</u>	<u>387,997</u>	<u>385,883</u>
TOTAL COMPENSATION AND RELATED EXPENSES	1,244,297	289,076	1,533,373	1,586,114
Auditing and legal services		10,477	10,477	8,638
Bad debts	33,606		33,606	24,000
Contract services	22,671		22,671	22,654
Insurance	14,364	5,117	19,481	17,406
Medical services	7,000		7,000	
Miscellaneous	8,668	2,600	11,268	19,362
Rent	97,225	13,862	111,087	123,197
Repairs and maintenance	37,685	8,930	46,615	42,406
Special projects	67,232		67,232	76,613
Staff training and education	8,745	6,135	14,880	19,601
Supplies	31,471	4,132	35,603	39,695
Telephone	16,008	3,050	19,058	22,478
Travel	28,463	2,197	30,660	37,993
Utilities	<u>17,772</u>	<u>562</u>	<u>18,334</u>	<u>17,408</u>
TOTAL EXPENSES BEFORE DEPRECIATION	1,635,207	346,138	1,981,345	2,057,565
Depreciation	<u>9,906</u>	<u>4,953</u>	<u>14,859</u>	<u>14,320</u>
TOTAL EXPENSES	<u>\$1,645,113</u>	<u>\$351,091</u>	<u>\$1,996,204</u>	<u>\$2,071,885</u>

COMPASS POINTE
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2010
WITH COMPARATIVE TOTALS FOR JUNE 30, 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
(Increase) decrease in net assets	\$ 53,722	\$ (56,467)
Adjustments to reconcile increase (decrease) in net assets to net cash used by operating activities:		
Depreciation	14,859	14,320
(Increase) decrease in current assets:		
Accounts receivable	(60,265)	52,028
Prepaid expenses	(2,569)	(7,865)
Increase (decrease) in current liabilities:		
Accounts payable	6,272	312
Accrued expenses and other liabilities	<u>(1,302)</u>	<u>(93,934)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>10,717</u>	<u>(91,606)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(95,820)	(6,349)
Return of investment in non-marketable security	75,386	
Down payment on property	<u> </u>	<u>(25,457)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(20,434)</u>	<u>(31,806)</u>
NET DECREASE IN CASH	(9,717)	(123,412)
CASH AT BEGINNING OF YEAR	<u>217,432</u>	<u>340,844</u>
CASH AT END OF YEAR	<u>\$207,715</u>	<u>\$217,432</u>
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING ACTIVITIES:		
Purchase of property and equipment.....	\$121,277	\$ 6,349
Less down payment paid in prior year	<u>(25,457)</u>	
Cash used to purchase property and equipment	<u>\$ 95,820</u>	<u>\$ 6,349</u>

COMPASS POINTE
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Compass Pointe is an Iowa non-profit organization based in Spencer, Iowa, with offices in a ten county area of Northwest Iowa. Its primary activities are the treatment of individuals suffering from drug, alcohol and gambling abuse and providing information and services related to the prevention of drug and alcohol abuse.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis in conformity with U.S. generally accepted accounting principles as prescribed by the Financial Accounting Standards Board for non-profit corporations. Revenues are recognized when earned and expenses are recorded when the liability is incurred.

Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of Compass Pointe and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that they be used by Compass Pointe for specific purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash consists of balances held in checking, money market savings and certificate of deposit accounts.

Accounts Receivable

Compass Pointe charges uncollectible receivables against income and maintains an allowance for estimated uncollectibles based on management's estimate of the amount of receivables that will actually be collected. Accounts deemed to be worthless are written off annually. See also Note 2.

Property and Equipment

Property and equipment is stated at cost. Maintenance and repair costs are charged to expense as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of three to forty years.

Accrued Expenses

Accrued vacation pay is estimated at each year end based on all vacation hours earned less hours used, limited to a maximum of eighty hours, and payable at current pay rates. Accrued unemployment claims are estimated at each year end based on claims which may be filed against Compass Pointe related to wages paid to employees during or prior to the fiscal year end.

COMPASS POINTE
NOTES TO FINANCIAL STATEMENTS - Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Temporarily Restricted Net Assets

Temporarily restricted net assets result from private foundation contributions stipulating the use of the funds for certain substance abuse prevention activities. Compass Pointe fully utilized these funds during the fiscal year ended June 30, 2009.

Functional Allocation of Expenses

The costs of providing Compass Pointe's various programs and support services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and support services benefited.

Income Taxes

Compass Pointe is a non-profit organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and a similar section of the Iowa income tax law which provide tax exemption for corporations organized and operated exclusively for religious, charitable or educational purposes. The organization is not classified as a private foundation by the Internal Revenue Service.

Effective July 1, 2009 the organization adopted the Financial Accounting Standards Board's, Accounting Standards Codification 740-10 (formerly FIN 48), *Accounting for Uncertainty in Income Taxes*. The standard, which applies to nonprofit corporations, prescribes a comprehensive model for how an organization measures, recognizes, presents, and discloses in its financial statements uncertain tax positions that the organization has taken or expects to take on its income tax returns. This includes positions that the organization is exempt from income taxes or not subject to income taxes on unrelated business income. The organization's income tax filings are subject to audit by various taxing authorities. The organization's open audit periods are 2006-2009. In evaluating the organization's tax provisions and accruals, future taxable income, the reversal of temporary differences, interpretations, and tax planning strategies are considered. Management believes their estimates are appropriate based on current facts and circumstances.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Comparative Data

The financial statements include certain 2009 comparative information. With respect to the Statement of Functional Expenses, 2009 expenses by object are presented in total rather than by functional category. Accordingly, such information should be read in conjunction with Compass Pointe's financial statements for the year ended June 30, 2009 from which the summarized information was derived.

Subsequent Events

Compass Pointe has evaluated subsequent events through the date of the auditor's report, which is the date the financial statements were available to be issued.

COMPASS POINTE
NOTES TO FINANCIAL STATEMENTS - Continued

2. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2010 and 2009 consisted of the following:

	<u>2010</u>	<u>2009</u>
Contracted services	\$133,379	\$ 72,410
Client fees	<u>159,513</u>	<u>136,156</u>
Total accounts receivable	292,892	208,566
Less allowance for doubtful accounts	<u>(120,000)</u>	<u>(95,939)</u>
Accounts Receivable - Net	<u>\$172,892</u>	<u>\$112,627</u>

At June 30, 2010 and 2009, client fees balances consist primarily of accounts from the Northwest Iowa geographic area. The organization does not require collateral as a condition of the extension of credit.

3. NONMARKETABLE SECURITY

As of June 30, 2009, Compass Pointe had acquired 153 shares of Class P common stock of Tri-State Behavioral Health Association, Inc. (Tri-State), an Iowa corporation. These shares of stock were recorded at cost. Tri-State is a management service organization entity jointly owned by mental health centers and independent providers, as well as St. Luke's Health Resources and Gordon Recovery Centers of Sioux City, Iowa. Tri-State provides a high-quality, geographically accessible, managed care oriented, multi-specialty provider behavioral health services network serving twenty-two counties in Northwest Iowa. JoAnn DeYoung, Compass Pointe Executive Director, currently serves as President of Tri-State.

During the year ended June 30, 2010, Tri-State made payments totaling \$101,500 to Compass Pointe. Since Tri-State is in the process of being dissolved, \$75,386 of these payments were considered to be a return of investment. The balance of \$26,114 was recorded as income. Any future payments received from Tri-State will be considered to be income.

4. OPERATING LEASES

Compass Pointe leases two offices at separate locations under non-cancelable operating leases that expire in June 2011 and June 2012. The future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Total</u>
2011	\$27,600
2012	<u>18,000</u>
Total	<u>\$45,600</u>

COMPASS POINTE
NOTES TO FINANCIAL STATEMENTS – Continued

4. OPERATING LEASES - Continued

Rent expenses under the above leases and monthly leases for six additional locations totaled \$111,086 and \$123,197 for the years ended June 30, 2010 and 2009, respectively.

5. RETIREMENT PLAN

Compass Pointe maintains a defined contribution retirement plan for all eligible employees with one year of service. The plan calls for Compass Pointe to contribute 6.25% of each qualified employee's annual salary. Additionally, employees are required to contribute 3% of their salary to the plan in order to receive the matching contribution by Compass Pointe. Contributions under this plan totaled \$63,919 and \$57,839 for the years ended June 30, 2010 and 2009, respectively.

6. RELATED PARTY TRANSACTIONS

During the year ended June 30, 2010, Compass Pointe entered into business transactions with related parties totaling \$9,703.

7. CONCENTRATIONS OF CREDIT RISK

Compass Pointe maintains its cash balances in a financial institution located in Spencer, Iowa. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Deposits in excess of \$250,000 are covered by a bank deposit guarantee bond.

8. ECONOMIC DEPENDENCY

Compass Pointe generates approximately 65% of its revenue from contracts to provide services for the Iowa Department of Public Health (IDPH) and the Iowa Plan for Behavioral Health (Iowa Plan). Under the terms of the IDPH contracts, Compass Pointe submits reports of its expenditures and/or activities to the IDPH on a monthly basis and is subsequently reimbursed as provided for in the contract. Compass Pointe has been awarded contracts from IDPH to provide prevention and gambling treatment services for the fiscal year ending June 30, 2010 totaling \$371,146.

The Iowa Plan contracts provide for equal monthly payments to Compass Pointe, dependent upon its meeting specified unduplicated client levels and providing specified services. As described in Note 11, a reimbursement of contract payments was required for the year ended June 30, 2008. Management does not anticipate that a reimbursement of contract payments will be required for the years ended June 30, 2009 and 2010. Compass Pointe has been awarded contracts from the Iowa Plan to provide treatment services for the year ending June 30, 2011 totaling \$722,148.

COMPASS POINTE
NOTES TO FINANCIAL STATEMENTS - Continued

8. ECONOMIC DEPENDENCY - Continued

The IDPH and Iowa Plan contracts are comprised of both federal and state funds. The federal portion of the contract amounts for the fiscal year ending June 30, 2011 is approximately equal to amounts received for the fiscal year ended June 30, 2010. However, the availability of the federal funds is contingent upon federal block grant appropriations to the respective states.

9. RISK MANAGEMENT

Compass Pointe is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Compass Pointe assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

10. DONATED SERVICES

The Organization receives donated services from a variety of unpaid volunteers who make significant contributions of their time in conjunction with programs and services. No amounts have been recognized for these services in the accompanying statement of activities because the criteria for recognition of such volunteer effort as contributed services has not been satisfied. However, the Organization did utilize donated services valued at \$41,325 to satisfy a portion of the Organization's match requirement stipulated in two grants.

11. PRIOR PERIOD ADJUSTMENT

Compass Pointe has discovered an error in the prior period financial statements related to a reimbursement due to the Iowa Plan. Based on an assessment by Magellan Behavioral Health, the administrator of the Iowa Plan, Compass Pointe was informed in March 2010 that they must reimburse the Iowa Plan \$57,590 due to failure to meet a contract requirement to serve a specified number of clients during the year ended June 30, 2008. Magellan Behavioral Health intends to reduce future monthly allocations by \$4,799.83 per month until the entire \$57,590 is recovered. As of June 30, 2010 they had not yet begun to reduce the monthly payments. Previously, Compass Pointe had recorded an estimated liability for this of \$75,000. Adjustments related to correcting the amount of the payback resulted in a decrease in other liabilities and an increase to unrestricted net assets at June 30, 2009 by \$17,410.

SUPPLEMENTARY INFORMATION

COMPASS POINTE
SCHEDULE OF REVENUE AND EXPENSES BY CONTRACT
IOWA DEPARTMENT OF PUBLIC HEALTH CONTRACTS
YEAR ENDED JUNE 30, 2010

	Comprehensive Prevention 5880CP23	Youth Mentoring 5880YM09	Prevention Through Mentoring 5880YM79	Tobacco Use 5880TS13	Gambling 5880GP01	Total
REVENUE:						
Iowa Department of Public Health	\$179,900	\$39,331	\$53,000	\$37,600	\$110,766	\$420,597
EXPENSES:						
Salaries & benefits	92,977	26,064	27,633	27,563		174,237
Other operating expense	41,518	7,460	17,417	4,397		70,792
Indirect expense	20,405	5,807	7,950	5,640		39,802
Disaster relief	25,000					25,000
Services:						
Intake					3,520	3,520
Individual counseling					8,899	8,899
Crisis					820	820
Group counseling					17,520	17,520
Education					54,477	54,477
Counselor training					1,919	1,919
Mileage					5,531	5,531
MCPGSA registration					780	780
Health promotion					6,500	6,500
NIATx completion					1,200	1,200
Distance technology					9,600	9,600
Total Expenses	179,900	39,331	53,000	37,600	110,766	420,597
REVENUE OVER EXPENSES	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

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INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
Compass Pointe

We have audited the financial statements of Compass Pointe, Spencer, Iowa, as of and for the year ended June 30, 2010 and have issued our report thereon dated October 15, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financing Reporting

In planning and performing our audit, we considered Compass Pointe's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Compass Pointe's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Compass Pointe's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. We did not identify any deficiencies in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of Compass Pointe's financial statements will not be prevented or detected and corrected on a timely basis.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Compass Pointe's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about Compass Pointe's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of Compass Pointe. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and constituents of Compass Pointe and other parties to whom Compass Pointe may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Compass Pointe during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Winter, Stone & Co. LLP

October 15, 2010